

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Macatawa Area Public Transit System	County Ottawa
Fiscal Year End June 30, 2007	Opinion Date December 20, 2007	Date Audit Report Submitted to State December 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

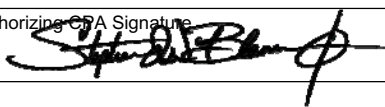
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 616-975-4100	
Street Address 2330 EAST PARIS AVENUE SE		City GRAND RAPIDS	State MI
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM	Zip 49546
		License Number	24801

**CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2007

**CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements for the Year Ended June 30, 2007	
Statement of Net Assets	3
Statement of Revenue, Expenses and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information	
Schedule of Local Revenue (Year Ended June 30, 2007)	10
Schedule of Local Revenue (Based on September 30, 2006)	11
Expenditures of Federal and State Awards	12-13
Federal and State Awards Operating Revenue Only (Year Ended June 30, 2007)	14
Federal and State Awards Operating Revenue Only (Based on September 30, 2006)	15
Schedule of Operating Expenses	16
Operating Expenses by Program (Year Ended June 30, 2007)	17-18
Operating Expenses by Program (Based on September 30, 2006)	19-20
Net Eligible Cost Computations of General Operations	21
Schedule of Vehicle Miles	22
Schedule of Line-Haul Passenger Data and Vehicle Hours	23-24
Schedule of Demand Response Passenger Data and Vehicle Hours	25-26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

INDEPENDENT AUDITORS' REPORT

December 20, 2007

To the Board of Trustees
Holland Macatawa Area Public Transit System
Holland, Michigan

We have audited the accompanying financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of June 30, 2007, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the management of the City of Holland, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the Macatawa Area Public Transit System Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Holland, Michigan, as of June 30, 2007 and the changes in financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2007, on our consideration of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund. The information found on pages 10 through 21, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information on pages 22 through 26 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The Macatawa Area Public Transit System has not presented Management's Discussion and Analysis (MD&A) as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

CURRENT ASSETS:

Cash and pooled investments	\$ 298,407
Receivables:	
Customers	42,865
Taxes	90
Due from other governmental units	105,092
<hr/> Total current assets	<hr/> 446,454

NONCURRENT ASSETS:

Restricted assets:	
Cash and pooled investments	546,145
Capital assets:	
Construction in progress	67,550
Capital assets, being depreciated	4,158,565
Accumulated depreciation	(2,149,096)
<hr/> Total capital assets	<hr/> 2,077,019
<hr/> Total noncurrent assets	<hr/> 2,623,164
<hr/> Total assets	<hr/> 3,069,618

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	138,870
Accrued payroll and benefits	4,199
Due to other funds of the City of Holland	635
Unearned revenue	6,625
<hr/> Total current liabilities	<hr/> 150,329

NONCURRENT LIABILITIES:

Earned employee compensated absences	2,700
<hr/> Total liabilities	<hr/> 153,029

NET ASSETS:

Invested in capital assets	2,077,019
Restricted for capital projects and by agreement	546,145
Unrestricted	293,425
<hr/> Total net assets	<hr/> \$ 2,916,589

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUE:	
Passenger fares	\$ 226,650
User fees and charges for services	228,658
Total operating revenue	455,308
OPERATING EXPENSES:	
Operations	2,230,566
Maintenance	250,778
General administration	788,281
Total operating expenses	3,269,625
OPERATING LOSS	(2,814,317)
NONOPERATING REVENUES (EXPENSES):	
Property taxes	171,058
Federal grants	1,106,965
State grants	1,096,197
Investment income	20,969
Sale of fixed assets	54
Total nonoperating revenues	2,395,243
Loss before transfers	(419,074)
TRANSFERS:	
Transfers in	69,313
Transfers out	(4,000)
Total transfers	65,313
Change in net assets	(353,761)
Net assets - beginning of year	3,270,350
Net assets - end of year	\$ 2,916,589

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers and users	\$ 423,416
Payments to suppliers	(2,644,454)
Payments to employees	(133,127)
<u>Net cash used for operating activities</u>	<u>(2,354,165)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(299,327)
----------------------------	-----------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Property taxes	171,014
Federal and state grants	3,186,249
Intergovernmental payments	(690,332)
Intergovernmental receipts	69,313
<u>Net cash provided by noncapital financing activities</u>	<u>2,736,244</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment earnings	20,969
---------------------	--------

NET INCREASE IN CASH AND POOLED INVESTMENTS	103,721
---	---------

CASH AND POOLED INVESTMENTS - Beginning of year	740,831
---	---------

CASH AND POOLED INVESTMENTS - End of year	\$ 844,552
---	------------

STATEMENT OF NET ASSETS CLASSIFICATIONS
OF CASH AND POOLED INVESTMENTS:

Current assets	\$ 298,407
Restricted assets	546,145

TOTAL STATEMENT OF NET ASSETS CLASSIFICATIONS	\$ 844,552
---	------------

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR
OPERATING ACTIVITIES:

Operating loss	\$ (2,814,317)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Depreciation	456,008
Changes in operating assets and liabilities:	
Accounts receivable	(29,817)
Accounts payable	33,131
Accrued and other liabilities	2,905
Unearned revenue	(2,075)
<u>Net cash used for operating activities</u>	<u>\$ (2,354,165)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Macatawa Area Public Transit System (System) of the City of Holland, Michigan (City), is an enterprise fund of the City of Holland. The City acquired these operations pursuant to the provisions set forth in Section 157A of the City Charter. MV Contract Transportation (the "Company") manages the operations of the System pursuant to an agreement between the Company and the City of Holland. The Macatawa Area Public Transit System provides public transportation services to users in the City of Holland and portions of the surrounding area.

Basis of Accounting

The System is accounted for in an enterprise fund which accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The accounting policies of the System conform to generally accepted accounting principles as applicable to enterprise funds of governmental units, and accordingly, the accrual basis of accounting and the economic resource measurement focus are followed. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance. The System has elected not to follow subsequent private-sector guidance.

A summary of significant accounting policies is as follows:

Cash and Pooled Investments

The System participates in the City's pooled cash and investment program that is available for use by all funds maintained by the City. For the purpose of the statement of cash flows the System considers cash and pooled investments to be cash and cash equivalents because investments and deposits within pooled cash and investments are not identifiable to specific funds and the assets can be withdrawn at anytime similar to a demand deposit account.

CITY OF HOLLAND, MICHIGAN MACATAWA AREA PUBLIC TRANSIT SYSTEM

NOTES TO FINANCIAL STATEMENTS

Cash and Pooled Investments

Cash and pooled investments of the System are carried at fair value and are held in the name of the City of Holland.

State statute authorizes the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City's investment policy allows for all of these types of investments.

Capital Assets

Property and equipment are recorded at cost or, if donated, at their estimated fair value on the date donated. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Depreciation on such capital assets is recorded on a straight-line basis over the estimated useful lives of the assets and is charged as an expense against operations. Costs of maintenance and repairs are charged to expense when incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-20
Buildings and structures	5-40
Machinery and equipment	3-20
Office furniture and equipment	5-15
Vehicles	5-12

Property Taxes and Other Revenue

Property taxes and other revenues are recorded as revenue when earned.

Properties are assessed as of December 31 and become a lien at that time. The related property taxes are levied and billed on July 1 of the following year and are due without penalty on or before August 15. Real property taxes that have not been collected as of March 1 are turned over to Ottawa and/or Allegan Counties for collection. The Counties advance the Transit System one hundred percent for the delinquent real property taxes. Collection of delinquent personal property and industrial facilities taxes remains the responsibility of the City Treasurer.

**CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

The System's deposits and investments are included on the statement of net assets under the cash and pooled investments caption. The extent of deposit and investment risk associated with the cash and pooled investment balance cannot be determined separately for the System because the deposits and investments in the pool are not specifically identifiable by fund.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Construction in progress	\$ 6,018	\$ 61,532	\$ -	\$ 67,550
Capital assets, being depreciated:				
Land improvements	55,810	-	-	55,810
Buildings	562,439	-	-	562,439
Machinery and equipment	426,952	9,388	535	435,805
Office furniture and equipment	28,943	413	-	29,356
Vehicles	2,846,626	228,529	-	3,075,155
Total capital assets, being depreciated	3,920,770	238,330	535	4,158,565
Less accumulated depreciation for:				
Land improvements	18,962	2,832	-	21,794
Buildings	177,223	15,063	-	192,286
Machinery and equipment	109,328	52,160	54	161,434
Office Furniture and equipment	11,868	2,270	-	14,138
Vehicles	1,375,761	383,683	-	1,759,444
Total accumulated depreciation	1,693,142	456,008	54	2,149,096
Net capital assets, being depreciated	2,227,628	(217,678)	(481)	2,009,469
Net capital assets	\$ 2,233,646	\$ (156,146)	\$ (481)	\$ 2,077,019

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM
NOTES TO FINANCIAL STATEMENTS

4. MANAGEMENT AGREEMENT

The City has entered into an agreement with MV Contract Transportation to provide the operations of the Macatawa Area Public Transit System. The terms of the agreement require the City to pay an hourly rate for such services based on anticipated vehicle hours. The agreement expires June 30, 2007.

5. SUBSEQUENT EVENT

Starting on July 1, 2007, the Macatawa Area Express Transportation Authority ceases to be a fund of the City of Holland. From that date forward the System will operate as a Transportation Authority, legally separate from the City.

6. RISK MANAGEMENT

The System is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Holland is self-insured for a portion of these risks with the exception of workers' compensation insurance which is insured by a third party on a premium basis. The City purchases excess reinsurance and allocates risk management costs among the various funds of the City, including the Macatawa Area Public Transit System. The Macatawa Area Public Transit System pays premiums to the City of Holland insurance internal service fund which account for claims that have been incurred through the end of the fiscal year, including both those claims that have been reported, as well as those that have not yet been reported.

SUPPLEMENTARY INFORMATION

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF LOCAL REVENUE

FOR THE YEAR ENDED JUNE 30, 2007

CODE	DESCRIPTION/COMMENT	JULY 1, 2006 TO SEPTEMBER 30, 2006	OCTOBER 1, 2006, TO JUNE 30, 2007	TOTAL
PASSENGER FARES:				
40100	Passenger fares	\$ 40,581	\$ 158,449	\$ 199,030
40500	Incidental Charter Service	8,850	18,770	27,620
	Total passenger fares	49,431	177,219	226,650
USER FEES AND CHARGES FOR SERVICES:				
40715	Rental of revenue vehicles	-	2,169	2,169
40910	Local operating assistance	48,124	178,365	226,489
	Total user fees and charges for services	48,124	180,534	228,658
	Total operating revenue	\$ 97,555	\$ 357,753	\$ 455,308

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF LOCAL REVENUE

BASED ON A SEPTEMBER 30, 2006 YEAR END

CODE	DESCRIPTION/COMMENT	OCTOBER 1, 2005, TO JUNE 30, 2006	JULY 1, 2006 TO SEPTEMBER 30, 2006	TOTAL
PASSENGER FARES:				
40100	Passenger fares	\$ 156,716	\$ 40,581	\$ 197,297
40500	Incidental Charter Service	18,670	8,850	27,520
	Total passenger fares	175,386	49,431	224,817
USER FEES AND CHARGES FOR SERVICES:				
40715	Rental of revenue vehicles	1,086	-	1,086
40910	Local operating assistance	104,820	48,124	152,944
	Total user fees and charges for services	105,906	48,124	154,030
	Total operating revenue	\$ 281,292	\$ 97,555	\$ 378,847

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM
EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL AND STATE GRANTOR/PASS- THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NO./ AUTHORIZATION NUMBER	PROGRAM AWARD AMOUNT
U.S. Department of Transportation			
Direct assistance:			
Federal Transit Operating Grant - Section 5307	20.507	90-X527	\$ 990,000
Capital Grant - Section 5309	20.507	90-X527	65,261
State grant match provided by the Michigan Department of Transportation:			
Capital Grant - Section 5309	20.507	90-X504	1,249,279
Capital Grant - Section 5309	20.507	90-X482	129,600
Total U.S. Department of Transportation			2,434,140
Michigan Department of Transportation -			
Operating assistance - Act 51:			
Year ended September 30, 2007	n/a	n/a	1,033,383
Prior years	n/a	n/a	72,129
Transportation Study	2007-0613/Z2	n/a	19,485
Total Michigan Department of Transportation			1,124,997
Total Expenditures of Federal and State Awards			\$ 3,559,137

CURRENT YEAR'S EXPENDITURES				PRIOR YEAR'S EXPENDITURES	AWARD AMOUNT REMAINING
TOTAL	FEDERAL	STATE	LOCAL		
\$ 990,000	\$ 990,000	\$ -	\$ -	\$ -	\$ -
65,261	65,261	-	-	-	-
21,498	18,129	3,369	-	-	1,227,781
42,576	33,575	9,001	-	81,410	5,614
1,119,335	1,106,965	12,370	-	81,410	1,233,395
1,033,383	-	1,033,383	-	-	-
30,959	-	30,959	-	-	41,170
19,485	-	19,485	-	-	-
1,083,827	-	1,083,827	-	-	41,170
\$ 2,203,162	\$ 1,106,965	\$ 1,096,197	\$ -	\$ 81,410	\$ 1,274,565

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

FEDERAL AND STATE AWARDS
OPERATING REVENUE ONLY

FOR THE YEAR ENDED JUNE 30, 2007

CODE	DESCRIPTION/COMMENT	JULY 1, 2006 TO SEPTEMBER 30, 2006	OCTOBER 1, 2006, TO JUNE 30, 2007	TOTAL
	Federal Transit Administration:			
41302	Section 5307 funds	\$ -	\$ 990,000	\$ 990,000
	Michigan Department of Transportation:			
41101	Local Business Operating (Act 51):			
	Current year	248,700	784,683	1,033,383
	Prior years	-	30,959	30,959
	Total	\$ 248,700	\$ 1,805,642	\$ 2,054,342

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

FEDERAL AND STATE AWARDS
OPERATING REVENUE ONLY

BASED ON A SEPTEMBER 30, 2006 YEAR END

CODE	DESCRIPTION/COMMENT	OCTOBER 1, 2005, TO JUNE 30, 2006	JULY 1, 2006 TO SEPTEMBER 30, 2006	TOTAL
	Federal Transit Administration:			
41302	Section 5307 funds	\$ 1,024,700	\$ -	\$ 1,024,700
	Michigan Department of Transportation:			
41101	Local Business Operating (Act 51):			
	Current year	746,100	248,700	994,800
	Prior years	183,769	-	183,769
	Total	\$ 1,954,569	\$ 248,700	\$ 2,203,269

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007

CODE		OPERATIONS	MAINTENANCE	GENERAL ADMINISTRATION	TOTAL
LABOR:					
50101	Operators' salaries and wages	\$ 1,076,807	\$ -	\$ -	\$ 1,076,807
50102	Other salaries and wages	113,746	-	101,313	215,059
50103	Dispatcher salaries and wages	156,160	-	-	156,160
	Total labor	1,346,713	-	101,313	1,448,026
FRINGE BENEFITS:					
50201	Pensions	110,199	-	6,247	116,446
50200	Other	344,787	-	28,370	373,157
	Total fringe benefits	454,986	-	34,617	489,603
SERVICES:					
50302	Advertising	-	-	73,126	73,126
50305	Audit cost	-	-	3,600	3,600
50399	Other	127,242	250,688	71,170	449,100
	Total services	127,242	250,688	147,896	525,826
MATERIALS:					
50401	Fuel and Lubricants	228,574	-	-	228,574
50402	Tires	33,900	-	-	33,900
50499	Other	-	-	7,924	7,924
	Total materials	262,474	-	7,924	270,398
50500	UTILITIES	-	-	20,916	20,916
CASUALTY AND LIABILITY:					
50603	Liability insurance	34,470	-	-	34,470
50699	Other	-	-	-	-
	Total casualty and liability	34,470	-	-	34,470
MISCELLANEOUS EXPENSES:					
50902	Travel and meals	146	90	209	445
50903	Association dues and subscriptions	-	-	2,882	2,882
50909	Loss on disposal of assets	-	-	(296)	(296)
50999	Other	2,285	-	16,812	19,097
	Total miscellaneous expenses	2,431	90	19,607	22,128
51200	LEASE AND RENTALS	2,250	-	-	2,250
51300	DEPRECIATION:				
	Grant assets	-	-	403,478	403,478
	Other assets	-	-	52,530	52,530
	Total depreciation	-	-	456,008	456,008
	Total operating expenses	\$ 2,230,566	\$ 250,778	\$ 788,281	\$ 3,269,625

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

OPERATING EXPENSES BY PROGRAM

FOR THE YEAR ENDED JUNE 30, 2007

JULY 1, 2006 TO SEPTEMBER 30, 2006				
	GENERAL			
	OPERATIONS	MAINTENANCE	ADMINISTRATION	TOTAL
Labor	\$ 325,926	\$ -	\$ 21,153	\$ 347,079
Fringe Benefits	110,199	-	5,426	115,625
Services	30,818	73,703	37,443	141,964
Materials and Supplies	64,241	-	914	65,155
Utilities	-	-	4,528	4,528
Casualty and Liability	8,541	-	-	8,541
Miscellaneous Expenses	521	-	(261)	260
Lease and Other Rentals	750	-	-	750
Depreciation	-	-	-	-
Total operating expenses	\$ 540,996	\$ 73,703	\$ 69,203	\$ 683,902

OCTOBER 1, 2006 TO JUNE 30, 2007

GENERAL				
OPERATIONS	MAINTENANCE	ADMINISTRATION	TOTAL	TOTAL
\$ 1,020,787	\$ -	\$ 80,160	\$ 1,100,947	\$ 1,448,026
344,787	-	29,191	373,978	489,603
96,424	176,985	110,453	383,862	525,826
198,214	-	7,029	205,243	270,398
-	-	16,388	16,388	20,916
25,929	-	-	25,929	34,470
1,910	90	19,868	21,868	22,128
1,500	-	-	1,500	2,250
-	-	456,008	456,008	456,008
\$ 1,689,551	\$ 177,075	\$ 719,097	\$ 2,585,723	\$ 3,269,625

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

OPERATING EXPENSES BY PROGRAM

BASED ON A SEPTEMBER 30, 2006 YEAR END

	OCTOBER 1, 2005 TO JUNE 30, 2006			
	GENERAL			
	OPERATIONS	MAINTENANCE	ADMINISTRATION	TOTAL
Labor	\$ 1,070,502	\$ -	\$ 65,753	\$ 1,136,255
Fringe Benefits	361,945	-	17,551	379,496
Services	101,529	182,455	98,266	382,250
Materials and Supplies	182,330	174	8,887	191,391
Utilities	-	-	17,309	17,309
Casualty and Liability	26,794	-	-	26,794
Miscellaneous Expenses	975	84	4,995	6,054
Lease and Other Rentals	3,260	-	-	3,260
Depreciation	395,460	-	-	395,460
Total operating expenses	\$ 2,142,795	\$ 182,713	\$ 212,761	\$ 2,538,269

JULY 1, 2006 TO SEPTEMBER 30, 2006

GENERAL					
OPERATIONS	MAINTENANCE	ADMINISTRATION	TOTAL		TOTAL
\$ 325,926	\$ -	\$ 21,153	\$ 347,079	\$	1,483,334
110,199	-	5,426	115,625		495,121
30,818	73,703	37,443	141,964		524,214
64,241	-	914	65,155		256,546
-	-	4,528	4,528		21,837
8,541	-	-	8,541		35,335
521	-	(261)	260		6,314
750	-	-	750		4,010
-	-	-	-		395,460
\$ 540,996	\$ 73,703	\$ 69,203	\$ 683,902	\$	3,222,171

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2007

	JULY 1, 2006, TO SEPTEMBER 30, 2006	OCTOBER 1, 2006, TO JUNE 30, 2007	TOTAL
EXPENSES:			
Labor	\$ 347,079	\$ 1,100,947	\$ 1,448,026
Fringe benefits	115,625	373,978	489,603
Services	141,964	383,862	525,826
Materials and supplies	65,155	205,243	270,398
Utilities	4,528	16,388	20,916
Casualty and liability costs	8,541	25,929	34,470
Miscellaneous expenses	260	21,868	22,128
Lease and rentals	750	1,500	2,250
Depreciation	-	456,008	456,008
Total expenses	683,902	2,585,723	3,269,625
LESS INELIGIBLE EXPENSES:			
Depreciation	-	(406,074)	(406,074)
Ineligible local contracts	-	(19,566)	(19,566)
Ineligible charter expense	(5,007)	(10,789)	(15,796)
Other	-	(684)	(684)
Total ineligible expenses	(5,007)	(437,113)	(442,120)
Eligible expenses	\$ 678,895	\$ 2,148,610	\$ 2,827,505
Eligible expenses - October 1, 2005 through June 30, 2006			\$ 2,916,976
Eligible expenses - July 1, 2006 through September 30, 2006			678,895
Total eligible expenses - Grant year ended September 30, 2006			\$ 3,595,871
Maximum state operating assistance Statutory cap: 60% of eligible expenses			\$ 2,157,523

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF VEHICLE MILES

FOR THE YEAR ENDED JUNE 30, 2007

(UNAUDITED)

	TOTAL
First quarter (July-September)	195,508
Second quarter (October-December)	224,959
Third quarter (January-March)	207,168
Fourth quarter (April-June)	205,843
Total	833,478

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF LINE-HAUL PASSENGER DATA AND VEHICLE HOURS

FOR THE YEAR ENDED JUNE 30, 2007

(UNAUDITED)

	<u>VEHICLE HOURS</u>	<u>REGULAR PASSENGERS</u>	<u>SENIOR PASSENGERS</u>
First quarter (July-September)	5,395	18,595	2,160
Second quarter (October-December)	5,301	17,891	2,304
Third quarter (January-March)	5,367	19,844	2,021
Fourth quarter (April-June)	5,301	19,287	1,991
Total	21,364	75,617	8,476

<u>HANDICAPPED PASSENGERS</u>	<u>SENIOR/ HANDICAPPED PASSENGERS</u>	<u>TOTAL PASSENGERS</u>
3,874	431	25,060
3,365	340	23,900
3,470	211	25,546
3,286	377	24,941
<u>13,995</u>	<u>1,359</u>	<u>99,447</u>

CITY OF HOLLAND, MICHIGAN
MACATAWA AREA PUBLIC TRANSIT SYSTEM

SCHEDULE OF DEMAND RESPONSE PASSENGER DATA AND VEHICLE HOURS

FOR THE YEAR ENDED JUNE 30, 2007

(UNAUDITED)

	<u>VEHICLE HOURS</u>	<u>REGULAR PASSENGERS</u>	<u>SENIOR PASSENGERS</u>
First quarter (July-September)	9,072	8,825	1,350
Second quarter (October-December)	9,416	12,519	1,165
Third quarter (January-March)	10,076	13,705	976
Fourth quarter (April-June)	9,849	12,099	1,242
Total	38,413	47,148	4,733

<u>HANDICAPPED PASSENGERS</u>	<u>SENIOR/ HANDICAPPED PASSENGERS</u>	<u>TOTAL PASSENGERS</u>
17,598	754	28,527
16,620	833	31,137
16,926	1,013	32,620
15,335	822	29,498
<u>66,479</u>	<u>3,422</u>	<u>121,782</u>

COMPLIANCE AND INTERNAL CONTROL



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

December 20, 2007

To the Board of Trustees
Holland Macatawa Area Public Transit System
Holland, Michigan

We have audited the accompanying financial statements of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund as of and for the year ended June 30, 2007, as listed in the table of contents, and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Example Entity, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's financial statements that is more than inconsequential will not be prevented or detected by the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Holland, Michigan, Macatawa Area Public Transit System Enterprise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Board of Trustees, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.